

MINUTES
OAK ISLAND TOWN COUNCIL
SPECIAL MEETING – BUDGET WORKSHOP
April 23, 2020 – 10 A.M.
COUNCIL CHAMBERS - OAK ISLAND TOWN HALL

Present: Mayor Ken Thomas, Council members John W. Bach, Shelia M. Bell, Charlie K. Blalock and Loman Scott, Town Manager David Kelly, Finance Director David Hatten and Town Clerk Lisa P. Stites, MMC. Mayor Pro Tempore Winecoff was present via Zoom.

Mayor Thomas called the meeting to order at 10 a.m. Mr. Kelly reminded everyone that this was still a draft budget and that numbers may change as they continue working toward a final product. He said that today, they would review Public Works.

Public Works Director Scott Thornall started with facilities. Mr. Kelly said that they were changing where some budget items were included to show a better picture of expenditures per department. There are two employees within this department who work on facilities maintenance. He said that maintenance for walkways and beach accesses had been reduced in this budget for the coming year, but that there was money in the accommodations tax fund for that as well. Mr. Hatten said a line item had been added to cover OSHA equipment. Mr. Thornall said that they were requesting \$5,500 for a portable hot water pressure washer to use for the wooden structures throughout town. Mr. Hatten said that work was contracted out in the past, so there would be a reduction there. Councilor Scott asked if staff was looking at ways to reduce cell phone costs. Mr. Hatten said that they did, that the cost was \$50/month, and that the cost in this department was for employees on call. Councilor Bach asked what accounted for the overall reduction for the proposed budget for this department. Mr. Kelly said that they had only included projects that they think they can actually get done in the coming year. Regarding contracted services, Councilor Bach asked if the strategy was to offset increases by looking for reductions in other areas. Mr. Kelly said that was correct. He said that they look at the cost for bringing on employees, with benefits, etc. versus contracting services. Councilor Bach asked Mr. Thornall to consider what he would consider cutting further if that became necessary. Mayor Pro Tempore Winecoff asked about the cost for pressure washing, and Mr. Kelly explained that it covered the concrete around the amphitheater, etc. Mayor Pro Tempore Winecoff said he'd also like to see what the Public Works facilities department thinks it needs for maintaining facilities rather than leaving it to the individual department heads.

Mr. Kelly said that there were some positions being combined, and that the stormwater director position would be folded back into the Public Works Director's position, which accounted for the increased salaries due to the additional responsibilities. Councilor Bach asked what efficiencies and/or savings would be realized by combining departments. Mr. Kelly said that there would be savings within salaries and benefits in the amount of \$23,000. Councilor Bach said that the savings was only \$23,000 then, but that operations would be more efficient. Councilor Bell asked if that would be something they look at every year, or if this was a permanent thing. Mr. Kelly said he thought it would be permanent. He said the Stormwater Director had already laid out some projects and schedules, and then Mr. Thornall could use other Public Works to help on stormwater projects as needed. Councilor Bach said that 90 percent of this department's costs are people. He said that if the budget has to be reduced, the choices here were pretty stark. Mr. Kelly said there were four departments in which staff accounted for more than 90 percent of the costs. Councilor Bach said that he didn't want to think about it, but that we could get there.

The next department for discussion was fleet maintenance. Mr. Thornall said there were no capital requests in this department. Councilor Bach said this department was also high cost as far as staff, at 83

percent, and suggested they look at whether they would need to reduce salaries, movie positions to part time, etc. Mr. Kelly said that he thought the proposed budget was a good one. He said that they would see numbers in the 80s and 90s for staff cost in nearly every department; there were some departments that were 94 or 96 percent. Mr. Kelly said that they were service departments, and services are what would be eliminated with budget reductions. Councilor Bach said that in many organizations, labor is what drives costs. Mr. Hatten used fleet maintenance for an example, saying there were two employees, and if there were just one, that would mean contracting out work.

In the street department, Mr. Kelly said it still shows the anticipated Powell Bill revenue, though that could change depending on what the State does. Councilor Scott asked if there was still money in that fund. Mr. Hatten said there was approximately \$450,000 in the fund currently. The next Powell Bill funding checks from the State would be in October and November. Mr. Kelly said that the Town is still using the study done two years ago, and staff has added streets to the list as well. Councilor Bach asked if they planned to spend the whole amount. The anticipated revenue is \$300,000. Mr. Thornall said he would keep maybe \$50,000 back for sidewalks, but plan to use the rest for paving. Councilor Bach agreed, but that he would like to see more sidewalks for pedestrian safety. Mayor Pro Tempore Winecoff asked about information he'd requested about the cost for finishing the list of roads to be paved. Mr. Kelly said that Mr. Thornall could provide that. Mayor Pro Tempore Winecoff said that was something that we needed to look at now, with oil prices as they are. Mr. Thornall said they also needed to remember that as the price of asphalt goes down, the demand for work was increasing and labor costs would go up. Mr. Thornall said it would cost approximately \$3.1 million to pave the rest of the streets. Mayor Thomas said that he liked the idea of doing what they can every year. Councilor Bach said it was like the broken windows theory, and that everyone drove on the roads and they see it immediately if we're not attacking the problem, and from that standpoint, it would be beneficial to be out there fixing roads. Mr. Thornall said that he also is looking at what holds up best on our roads.

Mr. Hatten said the next department was Public Works operations. Mr. Thornall said a lot of the contracted services, such as mowing, were included in this part of the budget. Mr. Kelly said that Mr. Thornall had reviewed all of the assets and a list had been provided; there is also a plan for those assets over the next three years.

Discussing solid waste, Mr. Thornall said that they were requesting \$156,000 for a new grapple truck. He also reviewed his plan for yard debris collection, which would divide the town into three zones, with one truck in each zone and biweekly pickups. Councilor Bach asked what was causing higher operating costs. Mr. Thornall said that some of that was the fee the County charges for debris, and the tub grinding. Mr. Kelly also discussed the recycling program. He said Waste Industries was giving them some numbers and they were reviewing the billing process. He said the coming increases would be passed onto the customers. He also said that Caswell Beach was considering dropping the program altogether and putting a site collection at Town Hall. He said that others were considering dropping it as well due to the increased cost and because recycled materials were just being stored in warehouses instead of being utilized. Mayor Thomas said that material collected as recycling is not actually recycled. Mr. Kelly said it is stored in a warehouse and that a new one had been built. He said the company used to guarantee that the material was being recycled, but they don't see that guarantee anymore. He also said there would be a cost increase coming and that they had asked the Town to consider whether it wants to continue the service. Councilor Scott said that was something that needed to be discussed. Mr. Kelly said there had already been a price increase this year and that there would be another one coming. Councilor Bach said it was going from 726 to 837, and that he was curious how much of that was related to the increases from Waste Industries.

Mr. Kelly also discussed the golf course. There is a new employee on board that Mr. Thornall said is doing a good job. He said that next year, this budget would reflect a full year's salary for that employee and that person's input for the budget, his ideas. There is money for planned pond maintenance, and chemicals are always part of the budget. Mr. Thornall said he would buy a mower out of the current budget and not need to put it in next year's. Councilor Bach said that with no play for now, the course should be in better shape. Mr. Thornall said the greenkeeper was doing as much as he could now, while there was no play on the course. Mr. Hatten noted that there was an asset sheet included for this department as well. Mr. Hatten also reviewed the pro shop expenses, which include merchandise, and advertising (reduced for now). The golf cart lease is also included here.

Mr. Hatten next reviewed the Accommodations Tax fund. Mr. Thornall explained that this fund includes the greenhouse, where the Town's sea oats are grown. Mr. Hatten noted that repairs for the Pier and the insurance for the Pier are now paid out of the Pier fund. Mr. Hatten said that he was projecting \$744,000 in accommodations tax revenue (compared to \$1.2 million in previous years). He said that represented a 60-62 percent decrease and that would affect the amount available to transfer to the sand fund. Councilor Bach said he thought that was a sensible starting point.

Councilor Scott told Mr. Thornall that since he had come to work for the Town, he had done a good job with the projects he has handled; other Council members concurred.

Mr. Kelly said they were looking at no tax increases, and only a small increase on the stormwater rate. He asked Council members to give staff any suggestions they had for the budget. He also said that the budget meetings next week would have a discussion of the pandemic response and the Declaration(s) of a State of Emergency as well. Councilor Bach said that he would like to see three scenarios for the budget -- best, mid and worst case scenarios. Councilor Bach said he'd also like to see Mr. Kelly's recommendation for how to phase re-openings. Mayor Thomas said that he wanted smooth transitions, and that he hoped all would go well this weekend at the beach. He said he also hoped that the Police Chief had everything he needed and that then they could start considering other things. Councilor Bach said that he just wanted to make sure that they had a plan. Councilor Bell said that from the emails they had received from the rental agencies, she didn't know if it was beneficial or not to include an end date. She said that as it stands now, they can't even take any reservations going into next year. She asked Council to review communication they have had from the agencies so they can discuss it at a future meeting. Councilor Bach said that he has no flexibility regarding short-term rentals that is not connected to some scientifically-based approach as it risking human lives. He said long-term rentals might be another consideration. Councilor Bell said that what she was referring to the fact that the Declaration they just did does not have an end date, whereas the previous one had an end date of April 30, 2020. Councilor Bell said that Council should discuss short-term rentals and long-term rentals for a year or more. Councilor Bach said he thought end dates were tricky. Mr. Kelly said that the date that was on the previous Declaration meant that people were allowing rentals as of May 1, and now they have to cancel those; it's a Catch 22, using a date or not using a date. He said if they add an end date, he recommends stating that doesn't mean they should start taking rentals after that date, but that the date may be when there is enough data or information from the Governor to decide what the Town can do. He said that's why he thinks that's why some towns did not use an end date. Mayor Thomas said that keeping it open, not using an end date and modifying it as needed was a better idea. He said using an end date concerns him. Mr. Kelly said that if an end date is used, then people start renting immediately after that end date, and when the restrictions are continued, the look to blame the Town when they have to cancel reservations. He said they were in a Catch 22 too, and the Town needed to look for a solution that would help everyone. Councilor Bell said that one thing to consider was using an end date, even if they have to change it. Councilor Bell said that it seemed a

shame to penalize those who are abiding by the restrictions while others continue to rent. Mayor Thomas asked about homeowners who rent their houses out directly, saying that the Town doesn't collect accommodations tax from those people. Mr. Hatten said that the last several years, staff has made a concerted effort to collect accommodations tax from private rentals. He said that some people said they didn't realize they were supposed to pay it, and that some had even paid back taxes. He also said that staff does search online rental companies to make sure rentals were accounted for. Mayor Thomas said that he thought the Town was losing money there too, and that was something to pursue. Mayor Pro Tempore Winecoff said that the White House has said that states should not do any kind of soft opening until there has been a 14-day decline in new cases, which North Carolina has not seen yet. Councilor Bach said that the briefings from Brunswick County show that we are in the acceleration phase. He said that we don't know what the Governor's guidelines are, and that he thought it was premature to consider any kind of mass release for short-term rentals, but that he agreed they should talk about it as the public was entitled to a discussion. Regarding unreported rentals, Councilor Bach said that the Town could review water usage; Mr. Hatten and Mr. Kelly explained that the staff does do that regularly. Mayor Pro Tempore Winecoff asked if staff could isolate costs for PPE and other COVID-19 related items that they can apply for FEMA reimbursements; Mr. Kelly said that the Town had already signed up for reimbursements and are tracking costs. Regarding enforcement of the rules for the beach, Mr. Kelly said they would add patrols for the weekend, just like they do for holiday weekends. Councilor Blalock asked if Mr. Kelly had heard any feedback from beaches that had already opened. Mr. Kelly said that Wrightsville Beach's issue was the first day, people were driving up to see that the beach was open, that they wanted to just walk out and see the beach and get back in their car. He said the biggest thing Oak Island had when the accesses were closed before was drop-offs, but since it is open just for exercise now, drop-offs shouldn't include tents and coolers and should be a quicker process. Mayor Pro Tempore Winecoff said that there shouldn't be discussion with violators, that they should just issue tickets.

Councilor Scott made a motion to adjourn at 11:22 a.m. Councilor Bell seconded the motion and it passed unanimously.

Ken Thomas, Mayor

Attested: _____

Lisa P. Stites, MMC
Town Clerk

Clerk's Statement: Minutes are in compliance with the open meetings laws. The purpose of minutes per the open meetings laws is to provide a record of the actions taken by a Council or a Board and evidence that the actions were taken according to proper procedures. All actions of the Council are recorded in the official minutes. Not all portions of Town of Oak Island meetings are recorded verbatim in the official minutes, with general discussion items, reports, presentations, and public comments being paraphrased or summarized in many instances. Public comments in writing should be submitted to the clerk via hard copy, electronic mail, or other means so as to ensure an exact verbatim account. The Town of Oak Island provides full coverage of meetings on Government Channel 8 so that the Citizens and the Public may view and listen to the meetings in their entirety.